

## **Medicare Rx Update: August 9, 2005**

### **Good news for Medicare beneficiaries... average monthly premiums for drug benefits lower than expected**

Today, Mark B. McClellan, M.D., Ph.D., the Administrator of the Centers for Medicare & Medicaid Services (CMS), announced that the prescription drug coverage that begins January 1, 2006 will have an average monthly premium of \$32.20, which is about \$5 less per month than previously estimated. This translates to a total cost to the government that is about \$15 less per month for each beneficiary than previously estimated, amounting to billions of dollars in reduced costs to taxpayers in the first year of the program.

The average premium is lower than projected because the weighted average of the actual bids from stand-alone prescription drug plans, which work with traditional Medicare coverage, and from Medicare Advantage plans, are lower than had been predicted.

### **MA-PD drug premiums likely to be even lower than the average PDP...**

The notice issued by CMS is available at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/>. Beneficiaries can begin signing up for coverage on November 15. The premium each person with Medicare pays for standard coverage depends on whether the plan they choose is above or below the national average cost. CMS anticipates that there will be a significant number of plans in each region with premiums below the national average of \$32.20. Premiums for prescription drug coverage in Medicare Advantage health plans are expected to be even lower than in the stand-alone prescription drug plans on average.

Before actual bids were received, overall Medicare subsidies for drug coverage (including both the 74.5 percent premium subsidy and the expected reinsurance subsidy) were projected to be approximately \$109.18 per month. This was reported in the March 2005 Medicare Trustees' Report. The current estimated Medicare subsidy (the amount the government pays), based on the actual bids and the final average premium for 2006, is \$94.08, about 14 percent lower. The average premium is now expected to be about 13 percent less than the March 2005 projection of \$37.37.

### **... and zero premium options will likely be available in all regions**

Also today, CMS announced the low-income premium benchmark amounts in each region. About one-third of all Medicare beneficiaries will qualify for extra help in paying for their drug premiums, and most will have their full premium paid by Medicare if they enroll in a plan with the premium below this benchmark level. Based on these benchmarks, CMS expects that people who qualify for this extra help will have multiple prescription drug plan choices with no premiums. In addition, Medicare Advantage plans with no premiums will be available.

CMS is now completing its review of applications and bids of Medicare Advantage organizations with a prescription drug plan component, including the new regional PPOs. CMS is also completing its review of stand-alone prescription drug plans in the

traditional Medicare program. CMS is currently reviewing important factors such as whether plans can ensure that beneficiaries are able to get their drugs at pharmacies close to their homes.

Please find attached a fact sheet related to this announcement.